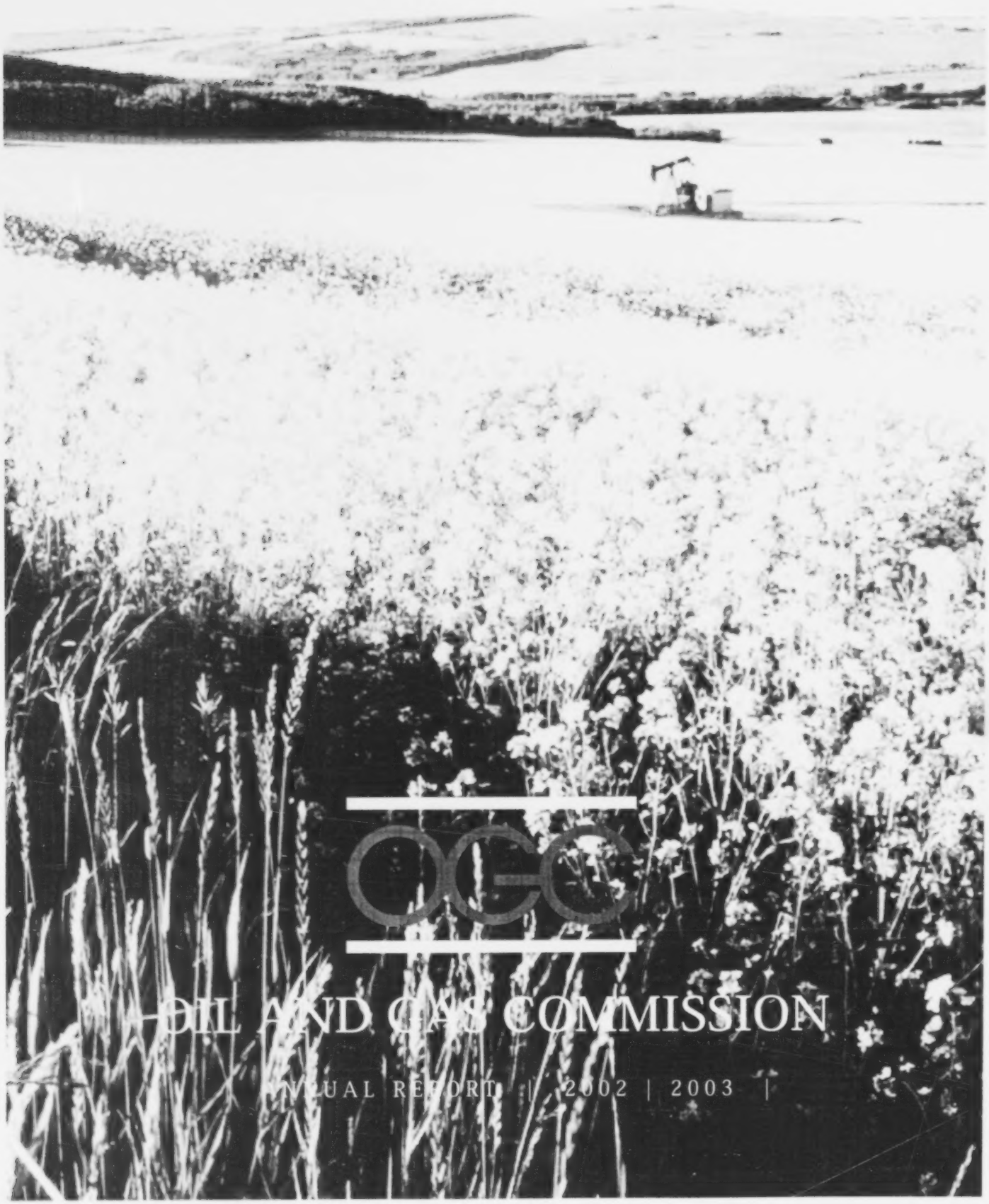

OIL AND GAS COMMISSION

ANNUAL REPORT | 2002 | 2003 |

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letter of transmittal to Minister of Energy and Mines

In fulfillment of section 15 of the *Oil and Gas Commission Act*, the Oil and Gas Commission, (OGC or Commission), must deliver an annual report to the Executive Council through the Minister within two months after the end of the fiscal year.

The 2002-2003 Annual Report is respectfully submitted.

Northeast BC has been a focus of petroleum exploration and development since 1952. Pictured here is a pumpjack, in the Peace country.
Photo by Tom Redhead

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An aerial view of under-balanced drilling operations, in northeast BC Photo by Ken Gevatkow

a report from the oil and gas commissioner's office

Derek Doyle, Commissioner

Dear Reader,

The Oil and Gas Commission had a challenging year in its commitment to build prosperity through unity while regulating for the benefit of all.

In 2001, the Commission developed its three-year Service Plan. The four key performance targets and strategies that guide our daily work are:

- Single-Window Service (S);
- Performance and Results-Based Delivery (P);
- Effectiveness and Efficiency (E); and,
- Collaboration with First Nations (C).

Each branch has taken progressive steps to advance SPEC. This annual report details, by branch, how the Commission has progressed.

YEAR IN REVIEW

The theme of the annual report is Prosperity Through Unity. This report aims to inform our stakeholders of the Oil and Gas Commission's roles and responsibilities, providing an update of the Commission's achievements, performance measures and targets.

The Commission accomplished 90% of its strategies set out in the Service Plan for 2002-2003. These initiatives served our commitment to regulate for the benefit of all.

Overall, the OGC enhanced its single-window approach from 70% to 85%. As a result of Bill 36, the OGC broadened its responsibilities for waste management, water regulation and forest practices.

With the introduction of notices and forms such as the Environmental Upgrade Notice, Minor Changes Notice, Permit by Rule and professional sign-off, the Commission has moved towards a results and performance-based regulation. This has increased from 15% to 25%.

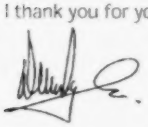
The Commission has significantly improved efficiency and effectiveness through a 17% reduction in regulatory burden. The average application process time has decreased, various application fees have been eliminated, General Development Plan completed, various operational guidelines developed, and industry compliance rates increased.

Considerable strides have been made in continuing to establish a collaborative approach with First Nations. The two Memoranda of Understanding and six Agreements have continued to serve us well in guiding the consultation process.

THE REPORT

This Annual Report further details performance measures each branch has taken in achieving the Commission's goals.

I thank you for your continued support and welcome your comments on this report



Derek Doyle,
Commissioner

purpose of the oil and gas commission

The purposes of the Commission are to:

a) Regulate oil and gas activities and pipelines in British Columbia in a manner that
   i. provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being
   ii. conserves oil and gas resources in British Columbia
   iii. ensures safe and efficient practices, and
   iv. assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas

b) Provide for effective and efficient processes for the review of applications related to oil and gas activities and pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects

c) Encourage the participation of First Nations and aboriginal peoples in processes affecting them

d) Participate in planning processes, and

e) Undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission

The mighty Peace River flows through northeast BC
Photo by Tom Redhead

organization

The OGC was established under the *Oil and Gas Commission Act* in July of 1998 as part of the provincial government's Oil and Gas Initiative. This Crown corporation is fully financed by the oil and gas industry, through application fees and levies on production.

The OGC has statutory authority for most aspects of the regulation of the 'upstream' segment of BC's oil and gas sector. The Commission has a legislative mandate to make decisions on oil and gas applications, considering broad environmental, economic and social effects. The OGC also has a responsibility to consult with First Nations, engage stakeholders, ensure safe operating practices, maximize the oil and gas resources and streamline regulatory processes.

The Commission's mandate provides efficient processes for the review of applications related to the oil and gas sector, ensuring that decisions are made in the public interest. As an efficient single-window agency, the OGC is helping the oil and gas industry grow and prosper by streamlining the application and approval process, while maintaining provincial environmental standards.

LOCATION

The Commission's head office is located in Fort St. John. There are also offices in Fort Nelson, Kamloops and Victoria. Ninety-nine staff are employed by the OGC within the various offices.

OGC BRANCHES

The OGC is comprised of eight branches:

- Aboriginal Relations and Land Use
- Applications and Approvals
- Compliance and Enforcement
- Corporate Services
- Executive Office
- Engineering and Geology
    - i. Operations Engineering
    - ii. Reservoir Engineering and Geology
- Legislation and Special Projects
- Stakeholder Relations and Communications

Bruce Cazes, Manager of Drilling and Completions, inspects a CBM test well in Hudson's Hope, BC

overview of the commission's governance

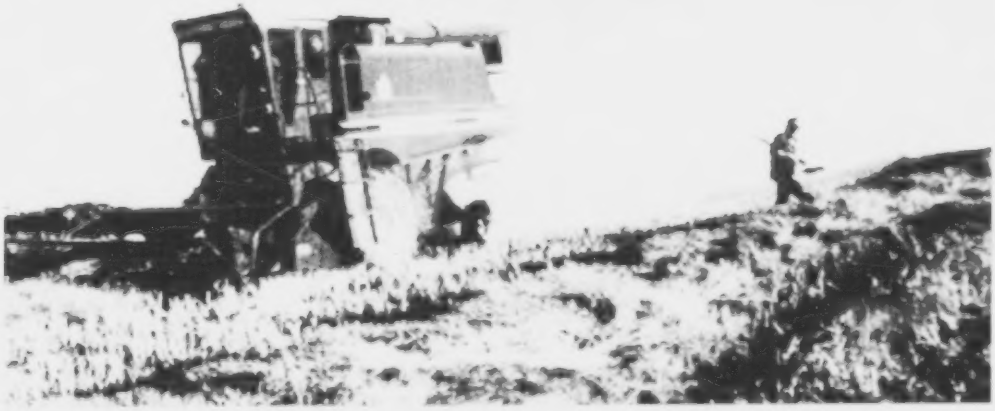
The governance of the Commission is being changed by amendments to the *Oil and Gas Commission Act*, through Bill 36. When implemented, the board of the Commission will include the Deputy Minister of Energy and Mines as Chair, the Commissioner as Vice-Chair and a third Director. The Lieutenant Governor in Council will appoint the Chair and third Director for terms not exceeding five years. The Lieutenant Governor in Council will appoint the Deputy Commissioner who will have the powers of the Commissioner but will not be a member of the board.

The board manages the affairs of the Commission; provides guidance to the Commission; approves the Commission's budget, service plans and regulatory initiatives; and establishes the Commission's organization. The Commissioner and Deputy Commissioner remain responsible for the operations of the Commission.

The Commission receives guidance and advice from the Oil and Gas Commission Advisory Committee. The Commission also works closely with the BC Executive Policy Group of the Canadian Association of Petroleum Producers (CAPP), the Small Explorers and Producers Association of Canada (SEPAC) and the Practice Advisory Group (PAG).

In the past year, CAPP and SEPAC provided advice and recommendations to the Commission on several key initiatives:

1. Well Abandonment Program
2. Science and Community Environmental Knowledge Fund
3. Annual Budget
4. Commission Service Plan
5. Regulatory Streamlining



A local farmer prepares for the winter and is seen, combining his field.
Photo by Tom Redhead

advisory committee

The creation of the Oil and Gas Commission's Advisory Committee reflects government's commitment to expand consultation with interest groups as the oil and gas industry grows. The Committee, born as part of the 1998 Oil and Gas Initiative, includes representatives with knowledge of the environment, oil and gas, First Nations, local communities and government.

The Committee's mandate is to provide advice and make recommendations on policy, budgetary issues and strategic planning.

As of November 4, 2002, Advisory Committee appointments were:

Bob Fedderly (Chair)	Nov 2002 - Nov 2004
Kathie Dickie (Vice-Chair)	Nov 2002 - Nov 2006
Carylin Greatbanks	Nov 2002 - Nov 2004
David Pryce	Nov 2002 - Nov 2006
Jim Campbell	Nov 2002 - Nov 2006
Michelle Gardner	Nov 2002 - Nov 2006
Wayne Sawchuk	Nov 2002 - Nov 2004
Van Greig	Nov 2002 - Nov 2006

The Committee provided a number of recommendations to the Commission. As of December 2002, 90% of the Committee's recommendations were implemented. Developments undertaken by the OGC included:

i. Clarifying Application for Reconsideration processes before decisions are finalized
ii. Broadening environment funding to include greater community involvement
iii. Encouraging First Nation communities to submit proposals to the Science and Community Environmental Knowledge Fund
iv. Assessing Science and Community Environmental Knowledge Fund proposals from groups and organizations
v. Making recommendations to reduce industry fees

An annual report of the Committee, a list of Committee decisions and other information will become available through the OGC web site.

The Advisory Committee meets regularly throughout the year. Pictured here (from left to right) are Derek Doyle, David Pryce, Kathie Dickie, Wayne Sawchuk, Bob Fedderly, Carylin Greatbanks, Van Greig, Jim Campbell and Craig Wilkinson. Michelle Gardner was absent from the photo.

practice advisory group

In January 2002, the Oil and Gas Practice Advisory Group (PAG) was launched as a joint initiative between the Oil and Gas Commission and the oil and gas industry. PAG initially consisted of 40 volunteers representing industry, clients and government. Since then, this group has evolved and expanded.

The PAG structure consists of a steering committee and ten sub-committees. Each sub-committee has a Chairman and a maximum of eight members, as well as an unlimited number of associate members. The sub-committees are responsible for addressing relevant issues, concerns, suggestions and recommendations submitted to PAG. The sub-committees develop issue papers for submission to the Commission.

The OGC committed to implementing 80% of the recommendations made by PAG. However, to date, the OGC has implemented 100% of the recommendations.

PAG has submitted three major papers involving nine recommendations. As a result, the OGC has:

1. Clarified the process and ground rules for pipeline crossings of watercourses, to ensure erosion control, habitat protection and appropriate boring distances
2. Eliminated the need for an Application to Alter a Well and an Application for Flaring Approval, for initial completion of wells less than 5% H_2S (effective January 1, 2003, written notification is sufficient)
3. Improved overall environmental decision-making and reduced duplication of processes by integrating applications for temporary and permanent well-access roads. As a result of this initiative, a royalty on fill material was dropped

The implementation of the above recommendations has provided substantial efficiencies for the OGC and industry while maintaining the OGC's high commitment to safety and the environment.

SUB-COMMITTEES

- Wellhead, Drilling and Completions
- Wellhead, Operations and Maintenance
- Facilities Design and Construction
- Facilities Operations and Maintenance
- Pipeline and Equipment Design and Construction
- Pipeline and Equipment Operations and Maintenance
- Pipeline and Equipment Systems Integrity
- Community Relations, Archaeology, First Nations and Dispute Resolutions
- Surface and Environment
- Summit

doing our duty

Cold weather is no deterrent to oil and gas production. Employee of Transline Inc. is seen here inspecting equipment on site. Photo by Tom Redhead.

mission statement

Regulating oil and gas activity

through fair, consistent, responsible and transparent stakeholder engagement for the benefit of British Columbians, and

by balancing environmental, economic and social outcomes.

vision statement

"To be the innovative regulatory leader, respected by stakeholders, First Nations and clients."

core values

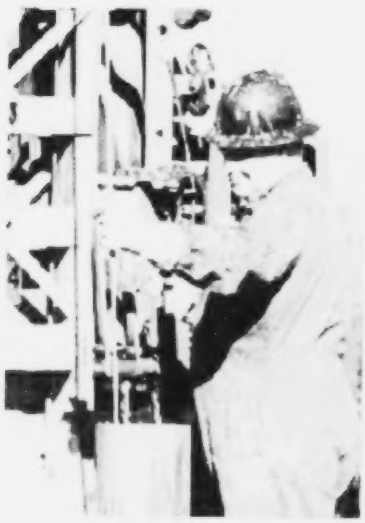
We commit to integrating the following in everything we do:

- We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.
- We are flexible, innovative and proactive.
- We are socially and environmentally responsible.
- We will measure our performance and strive for excellence.
- We are open to change that enables personal and organizational growth.
- We foster a positive attitude and fun in the workplace.

Left: The Upper Sikanni Chief Falls is located in the Muskwa-Kechika (MK) management area. The MK is a 6.4 million hectare wilderness area located in northeast British Columbia. It includes protected areas and special management zones.
Photo by Wayne Sawchuk

Centre: Industry collaboratively works with affected stakeholders during project pre-planning. Bernie Patterson, land agent for Marathon Canada (left), shares possible project details with guide outfitter, Mike Hammet.
Photo by Wayne Sawchuk

Right: Priority Ventures employee works on a CBM site in Comox, BC.
Photo by Boomer Jerritt, courtesy of Priority Ventures Ltd.



S P E C

spec

The Commission has identified four key objectives and set targets for meeting its service requirements and mandate:

S - ENHANCE THE SINGLE-WINDOW APPROACH TO REGULATING.
The Commission aims to provide 95% of regulatory services to industry clients by 2004-2005. This includes legislative and regulatory changes to all relevant acts to broaden the one-window approach.

P - MOVE TO A RESULTS AND PERFORMANCE BASED REGULATING SYSTEM.
The objective is to have 60% of application functions based on performance and results by 2004-2005. The estimated percentage of results-based regulation for 2002-2003 was 25%.

E - CONTINUE TO IMPROVE EFFICIENCY AND EFFECTIVENESS.
The purpose of this objective is to reduce the regulatory burden by 33%, improve the satisfaction of clients, First Nations and stakeholders with the Commission, significantly reduce the time taken to process applications and requests, and improve the compliance of the oil and gas industry with regulatory requirements.

C - ESTABLISH A COLLABORATIVE APPROACH WITH FIRST NATIONS.
This objective is to improve the satisfaction of First Nations with the Commission and industry. This will be measured as part of the satisfaction index that is listed in the objective of improving efficiency and effectiveness. Six Agreements and two Memoranda of Understanding are currently in place with Treaty 8 First Nation communities.

Pictured here are employees of Trinidad Drilling Ltd. at a facility northeast of Fort Nelson taking a break while a safety inspection is completed
Photo by Ken Gevatkow

people who served as ogc staff during the past year

Aboriginal Relations & Land Use

Tom Ouellette, *Director*
Andrea Morison, *Senior Aboriginal Program Specialist*
Annette Loe, *Senior Aboriginal Program Specialist*
Bob Purdon, *Senior Aboriginal Program Specialist*
Delia Christianson, *Senior Aboriginal Program Specialist*
Geoff Haines, *First Nations GIS Coordinator*
Jennifer Boone, *Administrative Assistant*
Lori Phillips, *Auditory Heritage Conservation Officer*
Paul Perkins, *Senior Aboriginal Program Specialist*
Tasha Lalonde, *Auditory Aboriginal Resource Officer*
Vera Brandzin, *Heritage Conservation Program Manager*

Applications & Approvals

Larry London, *Director*
Aaron Benterud, *Oil & Gas Resource Officer—Forest Resource Technician*
Annette Block, *Oil & Gas Resource Officer—Geophysical*
Carol Stevens, *Examiner*
Devin Schesk, *Oil & Gas Program Manager, EUM, ODP*
Donna Bozarth, *Examiner*
Fiona Liebelt, *Administrative Assistant*
Gord Humphrey, *Oil & Gas Resource Officer, Land & Habitat Protection*
James Gladysz, *Oil & Gas Program Manager, Water*
John Dame, *Oil & Gas Resource Officer, Forest Resource Technician*
Kelly deCaux, *Oil & Gas Resource Officer, Forest Resource Technician*
Kelly Harmon, *Oil & Gas Program Manager, Geophysical*
Kerry Harvey, *Oil & Gas Resource Officer, Land & Habitat Protection*
Leesa Turner, *Application Assistant*
Lori Fast, *Examiner*
Margaret Fenton, *Oil & Gas Resource Officer, Forest Resource Technician*
Maureen Simmons, *Examiner*
Nadine Epp, *Client Services Coordinator*
Penny Buckler, *Oil & Gas Program Manager, Pipelines & Specialist Enactments*
Ramona Szyska, *Oil & Gas Resource Officer, Land & Habitat Protection*
Renate Hambuechen, *Oil & Gas Resource Officer, Land & Habitat Protection*
Shannon Hardy, *Client Service Coordinator*
Sharon Rose, *Application Review Manager*
Sheila Tompkins, *Administrative Resource Technician*
Shelley Calder, *Application Review Resource Officer*
Sherry Cantlon, *Examiner*
Susan Poulsen, *Administrative Resource Technician*

Compliance & Enforcement

Ben Mitchell-Banks, *Director*
Bob Ziebart, *Inspector, Pipelines & Facilities*
Brian Christian, *Inspector, Pipelines & Facilities*
Bruce Gazes, *Manager, Drilling & Completions*
Chris Wagner, *Inspector, Pipelines & Facilities*
Dean Velkjar, *Inspector, Pipelines & Facilities*
Egan Wuth, *Inspector, Construction & Exploration*
Frank Schneider, *Emergency Response Planning & Safety Inspector*
Gord Hockridge, *A/Manager, Pipelines & Facilities, Safety & Engineering*
Gord Jones, *First Nations Aboriginal Liaison Outreach Inspector*
Harry Offizer, *Inspector, Construction & Exploration*
Heidi Elias-Bertram, *Administrative Assistant*
Jack Cann, *Manager, Northern Operations, Fort Nelson*
Kathie Thibaudeau, *Auditory Wellsite Authorization Technician*
Ken Gilbert, *A/Manager, Construction & Exploration*
Len Barteaux, *Inspector, Pipelines & Facilities, Kamloops*
Noella Valliere, *Inspector, Drilling Waste & GDR*
Rick Newlove, *Inspector, Drilling & Completions*
Roxanne Giguere, *Client Services Coordinator*
Sandra Richardson, *Client Services Coordinator*
Tim Paull, *Project Assistant*
Todd Jones, *Inspector, Pipelines & Facilities*
Tom Scott, *Auditory Operations Inspector*

Corporate Services

Craig Wilkinson, *Director*
Andrea Wood, *Manager, Finance & Administration*
Ben Clark, *GIS Coop*
Carol Rayburn, *Records Clerk*
Charlotte McLeod, *A/Manager, Finance & Administration*
Dana Warner, *FOI Records Analyst*
David Ross, *Manager, Financial Planning*
Geoff Mulligan, *GIS Coop*
Grant Fox, *GIS Coordinator*
Jody Sutherland, *Finance Clerk*
Michael Wood, *Manager, Information Systems*
Mindy Jackle, *Administrative Assistant*
Monica Nelson, *Records Clerk*
Pat McChesney, *End User Support Technician*
Ron Perdue, *Finance Clerk*
Tammy Walsh, *Finance Clerk*

Executive Office

Derek Doyle, *Commissioner*
Joyce Beaudry, *A/Deputy Commissioner*
Christine Richards, *Senior Executive Administrative Assistant*
Stephanie Neraasen, *Client Services Coordinator*
Richard Caesar, *Integrity Management*

Engineering and Geology

Operations Engineering
Dave Krezanoski, *Manager, Operations Engineering*
Brian McBride, *Oil and Gas Waste Management Specialist*
Carl De Smit, *Production Audit Technician*
Don Burkland, *Senior Drilling Engineer*
George Holland, *Facilities Technician*
Richard Slocomb, *Senior Reservoir Engineer*
Shannon Patterson, *Operations Engineering Technician*
Todd Thomson, *Coop Student*
Trudy Clark, *Client Services Coordinator*

Reservoir Engineering & Geology—Victoria
Craig Gibson, *Manager, Reservoir Engineering & Geology*
Peter Attarwala, *Supervising Reservoir Engineering*
Chris Grieve, *Reservoir Technician*
Dan Walker, *Senior Petroleum Engineer*
Doug McLean, *Senior Petroleum Geologist*
Glynis Farr, *Senior Reservoir Technician*
Jeff Johnson, *Senior Petroleum Geologist*
June Barker, *Senior Petroleum Geologist*
Kate LaVertu, *Administrative Assistant*
Leon Jaworsky, *Coop Student*
Pierino Chicorelli, *Engineering Technician*
Ron Stelfox, *Senior Reservoir Engineering Technician*
Tom Tucker, *Cartagic Mapping Technician*

Legislation & Special Projects

Ken Kadonaga, *Director*
Doug McKenzie, *Senior Technical Advisor*
Peter Davis, *Senior Engineering Advisor*
Thom Sedun, *Senior Engineering Advisor*

Stakeholder Relations & Communications

Corey Jonsson, *Stakeholder Relations Advisor*
Harleen Price, *Stakeholder Relations Advisor*

The Commission thanks former staff for their service, dedication and contribution in 2002/2003:

Bev Leighton, *Secretary/Records Clerk*
Brenda Maleski, *Office Manager*
Chantel Poitras, *Client Services Coordinator*
Cheryl Scott, *File Clerk*
Colleen Sweet, *Manager, Stakeholder Relations*
Jarvis Gray, *Senior Aboriginal Program Specialist*
June Polson, *Finance Clerk*
Michael O'Shea, *Operations Inspector*
Randall Sweet, *Oil and Gas Resource Officer*
Scott Windahl, *Director, Corporate Services*
Tamara Connell, *Aboriginal Liaison Communications Officer*
Tim Bonnett, *Oil & Gas Resource Officer, Forest Resource Technician*
Wanda McDonald, *Senior Aboriginal Program Specialist*

applications and approvals

The Applications and Approvals Branch reviews applications related to oil and gas activities and pipelines, approving those applications that serve the public interest regarding environmental, economic and social impacts.

The branch works closely with applicants to ensure concerns, identified through public involvement or First Nation consultation, are appropriately addressed. They continually strive to strengthen relationships with stakeholders by being transparent, demonstrating integrity and building confidence that decisions made serve the public interest.

The Applications and Approvals Branch worked on a number of initiatives and projects that contributed to the achievement of SPEC:

SINGLE WINDOW

- Creation of the General Development Plan (GDP) to improve cumulative impact management.

PERFORMANCE-BASED REGULATION

- Implemented the Environmental Upgrade Notice, the automatic approval privilege of a field change that presents a favourable environmental outcome. The OGC's goal is to provide industry with the flexibility to locate activities in the field to minimize disturbances and environmental impacts. The operator is required to file a notice of the minor changes with the Commission. These changes must be consistent with approval conditions and cannot adversely affect Treaty rights, other tenure holders or archaeological sites.
- Following consultation with the Association of British Columbia Professional Foresters, the OGC established that Registered Professional Foresters can now complete, stamp and seal Timber Harvesting Field Assessment forms.
- Developed an Application Guide for Phase 1 of the Besa Prophet Pre-tenure Plan, which has been released for comment and feedback. These guidelines clarify operator application submission requirements described in the Muskwa-Kechika Management Area.

EFFICIENCY AND EFFECTIVENESS

- Approval time was reduced from 20.8 to 17.8 working days.
- Consolidated temporary and permanent wellsite access roads into a single process under Section 7 of the *Petroleum and Natural Gas Act*.
- Published the Maximum Disturbance Review Criteria operating code, providing guidelines to oil and gas construction contractors and service firms.
- Reduced the number of checklists from 67 to 18.
- Participated in community workshops and information sessions at Hudsons Hope, listening and providing information in response to community concerns surrounding the development of coalbed methane.

COLLABORATION WITH FIRST NATIONS

- Worked with participating communities on a collaborative approach to General Development Plan submissions.
- Hosted First Nation information-sharing meetings. In addition the branch participated in cultural awareness sessions with various First Nations.

NEW APPLICATIONS APPROVED

	2002	2003
Geophysical	127	154
Wells	847	991
Pipelines	506	739

AMENDMENTS APPROVED

	2002	2003
Geophysical	129	227
Wells	471	680
Pipelines	115	92

Industry is required to submit well core samples (as pictured above) to Ministry of Energy and Mines.
Photo by Ken Gevatkow

aboriginal relations and land use

The Aboriginal Relations and Land Use Branch collaborates with First Nations to build relationships with government and the oil and gas industry. The duties of the branch include: consulting with First Nation communities about oil and gas industry activities; reviewing oil and gas applications for impacts on heritage resources; and providing representation on the technical aspects of oil and gas in land use and environmental planning processes.

The Aboriginal Relations and Land Use Branch focused on the following projects and initiatives that contribute to the OGC achieving its SPEC goals:

SINGLE WINDOW

- Supported broad initiatives aimed at resolving conflicting tenure issues.
- Provided input into the amendments to the *Heritage Conservation Act*.

PERFORMANCE-BASED REGULATION

- Assisted the Applications and Approvals Branch to refine General Development Plans
- Assisted in land use planning and monitoring through participation in the Muskwa-Kechika pre-tenure planning process, Land Resource Management Plan implementation monitoring, best-practices guideline development and coordination of responses to other government land use related referrals.

EFFICIENCY AND EFFECTIVENESS

- Hosted orientation and educational sessions regarding the OGC with First Nation Land staff.

COLLABORATION WITH FIRST NATIONS

- Enhanced consultation processes with First Nations through expanded discussion, information sharing and compliance work. The branch has initiated projects with First Nation communities, including: the OGC orientation; Job-Shadowing Program; First Nations and OGC Technical Land Committee; and improved and revised consultation agreements with Treaty 8 First Nations.
- Developed a training program with Compliance and Enforcement Branch inspectors.
- Expanded consultations into three other areas of the province as a result of oil and gas developments.
- Collaborated with Ministry of Energy and Mines on coalbed methane.
- Provided support to First Nation communities to access the Economic Measures Fund and the Science and Community Environmental Knowledge Fund.
- Facilitated collaborative land use planning approaches with First Nations, ministries and other regulators.
- Coordinated OGC participation in various First Nation cultural events.

CONSULTATIONS WITH BC TREATY 8 FIRST NATIONS:

3,359

First Nations Liaison Inspector, Gord Jones, facilitates Ktunaxa Kinbasket Tribal Council (KKTC) orientation field trip. Pictured here are KKTC members John Nicholas, Virgil Benallie, Basil Stevens, Robin Gravelle together with Gord Jones and a North Canadian Resources Ltd. representative.

compliance and enforcement

The Compliance and Enforcement Branch is responsible for regulating oil and gas activities and pipelines in BC, ensuring safe and efficient practices. To accomplish this responsibility, the branch regularly inspects both construction activities and the operations of oil and gas wells, facilities and pipelines.

The OGC believes that compliance is the responsibility of the oil and gas industry, and expects that industry understands the requirements and has the appropriate processes in place. At the same time, the OGC applies enforcement of the regulations to ensure compliance.

INSPECTIONS CONDUCTED 2002 - 2003:

1,849

An aerial view of the Ladyfern oil and gas development, northeast of Fort St. John.

Enforcement is a part of a total program of effective regulation designed to achieve an upstream oil and gas industry that understands, respects and meets or exceeds regulations and standards. This can be achieved through the implementation of self-imposed guidelines.

To advance the Commission's SPEC goals, the branch has contributed the following:

SINGLE WINDOW

- Initiated an enforcement unit that will assume some responsibilities formerly undertaken by the Conservation Officer Service in the Ministry of Water, Land and Air Protection. The new enforcement unit within the OGC will be responsible for investigations of environmental legislation such as the *Waste Management Act*, *Water Act* and *Forest and Range Practices Acts*.

PERFORMANCE-BASED REGULATION

- A performance-based stream crossing removal regime was implemented for the 2002 drilling season. This system allows industry to delay stream-crossing removals until the spring melt occurs, provided stream-crossings and roads are monitored for deterioration. The deadline in previous years was March 31. Recent audits confirm that 78% of crossings have been properly removed and roads were deactivated prior to the occurrence of damage. Strategies are being implemented to reach a higher compliance rate of 85%.

EFFICIENCY AND EFFECTIVENESS

- Companies will soon be able to view and respond to their deficiency reports online. This will eliminate the need to fax paper back and forth.
- Developed a client website that will allow industry access to their suspended well lists and allow for online completion of operator inspected Suspended Well Reports. When this system is implemented, the branch will move to a risk-based, field audit program that does not require the submission of paper reports. This new system will allow a reallocation of field staff.
- A risk managed inspection system has been devised. Modeled after the Alberta Energy and Utilities Board, this initiative uses three factors to determine inspection frequency:
    - i. Operator compliance history
    - ii. Site sensitivity and
    - iii. Inherent risk

  This system provides inspection staff with guidance regarding which sites should be inspected on a priority basis.
- An Emergency Response Planning and Safety Inspector position has been filled within the branch. This Inspector will be working with industry to ensure that emergency response plans are up-to-date and that the company is proficient in executing them. The Inspector also plays a key role in maintaining the OGC Emergency Response Plan.

compliance and enforcement (cont.)

COLLABORATION WITH FIRST NATIONS

A First Nations Liaison Inspector position was created in 2002. The Liaison Inspector works directly with First Nation communities regarding concerns about ongoing oil and gas activities such as road building, lease construction and facility operations. Recently, the Inspector has been working with the Doig River First Nation community on developing a program to enhance joint stewardship opportunities. The Compliance and Enforcement Branch will be exploring similar opportunities with other First Nations communities in 2003.

Murphy Oil wellsite at Chicken Creek was an example of environmentally sensitive construction practices.
Photo by Wayne Sawchuk

corporate services

The Corporate Services Branch is responsible to develop and implement financial and administrative policies and procedures; provide financial and administrative advice and assistance; manage financial and administrative processes; manage information systems and technology; provide secretariat services to the Advisory Committee; assist in the management of the Science and Community Environmental Knowledge Fund; prepare the Annual OGC Service Plan in conjunction with other branches, and assist in the preparation of the OGC Annual Report.

The branch contributed to the OGC's SPEC targets during 2002-2003 through the following:

SINGLE-WINDOW

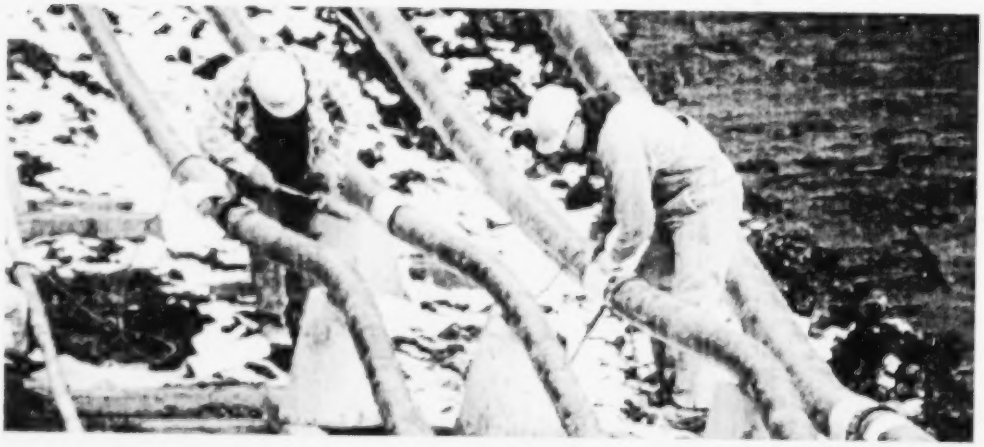
- Delivered technical evaluation of digitization of pool info into web-based Geographic Information Systems (GIS).
- Developed process to allow industry to electronically submit project maps and automatically update the GIS.
- Updated IRIS (Integrated Resource Information System) to allow for approval and management of General Development Plans.
- Provided access to IRIS to Land and Water British Columbia Inc., and the BC Assessment Authority.

EFFICIENCY AND EFFECTIVENESS

- Assumed responsibility to assist Examiners in reviewing industry financial information.
- Contributed to the Emergency Management Plan.
- Completed Fort St. John office renovation project.
- Delivered ergonomic assessment and training.
- Initiated e-forms.
- Completed business and needs analysis for systems support to Reservoir Engineering and Geology function.
- Completed business needs assessment for systems support to the Compliance and Enforcement Branch.
- Developed web-based corporate reports.
- Made a significant reduction in outstanding accounts receivable.
- Delivered basic GIS training to staff.

Above: Two cranes assist in the construction of the two flare stacks at an oil and gas facility.

Right: Workers involved in oil and gas pipeline construction.
Photo by Tom Redhead



engineering and geology

OPERATIONS ENGINEERING

The Operations Engineering Section is responsible for drilling and production emergency response plans and their implementation: drilling programs, well completions and workovers, production and production facilities, production measurement, flaring, oil and gas waste management and well abandonments, all primarily from a technical point of view. This is to ensure that safety of workers, public, environment, integrity of industry operations and resource conservation are all up to acceptable standards. Technical advice and support is provided to industry, other OGC branches and stakeholders. Industry operating data is collected and reviewed for results-based operational compliance and accuracy of data.

SINGLE-WINDOW

- Implemented an Oil and Gas Waste Management Specialist position within the Commission to manage waste permits and approvals. This resulted from the transfer of oil and gas waste regulation responsibilities from the Ministry of Water, Land and Air Protection to the OGC.

PERFORMANCE-BASED REGULATION

- Initiated studies on flaring reduction and continued to develop a flare management strategy for BC. Early findings lead to requirements for improved reporting for gas flaring during under-balanced drilling operations.
- Issued 44 abandonment orders to 18 operators. This was for a category of wellbores where the petroleum and natural gas title rights had lapsed due to unfulfilled ownership obligations.

EFFICIENCY AND EFFECTIVENESS

- Developed and implemented a new process through collaboration with the Oil and Gas Practice Advisory Group. Applications were replaced with Notifications for wells where initial completions commenced within 90 days of rig release and were non-special sour wells. As a result, 446 Applications to Alter a Well were replaced by Notifications since December, 2002. This initiative also resulted in 330 Notifications, replacing Applications for Flaring Approvals on initial completions of non-special sour wells with a flare volume less than 500 x $10^3 m^3$ of gas and the H_2S content is less than 5%.
- Managed record levels of industry activity:
  - 1,164 Applications to Alter a Well (446 were replaced by Notifications)
  - 1,164 Applications for Flaring Approval (361 replaced by Notification), and
  - 809 Applications for Production Facility Construction

Survey markers initiate oil and gas exploration
Photo by Boomer Jerrit, courtesy of Priority Ventures Ltd.

RESERVOIR ENGINEERING AND GEOLOGY

Reservoir Engineering and Geology Section (REGS) is responsible for the appropriate development of the province's oil and gas resources and regulatory compliance to ensure conservation of the province's oil and gas resources and a fair share in the resource production revenue.

REGS primarily concentrated on improving efficiency and effectiveness during the 2002-2003 fiscal year.

EFFICIENCY AND EFFECTIVENESS

- REGS has kept pace with the increase in industry applications, rendering approximately 20% more decisions than in the previous year (Table 1.1). Consequently, REGS has pursued initiatives to maintain both timely responses to applications and accurate data on industry activities.
- The Hydrocarbon and By-Products Reserves in BC report, produced annually by the branch, was amended to include more interpretive comments. This document serves as a report

engineering and geology (cont.)

card on industry activity in the province, measuring success in the discovery and development of new reserves. Future editions of the report will continue to expand and include interpretive comments on industry activity.
The backlog of well-deliverability and pressure-test reports has been reduced by 60%. This reduction has allowed the REGS to focus on quality control of the industry reports. Assurance of quality data will enhance BC's competitive information advantage.

Two positions were created and filled during the past fiscal year to improve efficiency and effectiveness of the branch.

1. A Senior Petroleum Geologist aids in the timely analyses and evaluations of wells. This position supports the Applications and Approvals Branch regarding decisions on applications and also provides industry with practical information on exploration and development potential.
2. A Geology Mapping Technician marks the branch's first step towards implementing a Geographical Information System-based reserves mapping system. The mapping system enhances access to geologic analyses for industry and government, providing a competitive information advantage to BC.

Table 1.1 RESERVOIR ENGINEERING AND GEOLOGY SECTION

summary of reservoir engineering and geology application activity

GEOLOGY APPLICATIONS	FISCAL 2002-2003	FISCAL 2001-2002
Discovery Status Determinations	19	22
Sampling Modifications and Waivers	56	39
Well Logging Program Modifications and Waivers	142	120
Well Reclassifications	58	24
Support to Engineering regarding Engineering Applications	103	98
ENGINEERING APPLICATIONS		
Acid Gas Disposal Projects	1	3
Concurrent Production	15	10
Daily Gas Allowable	17	21
Daily Oil Allowable	17	28
Enhanced Recovery Projects	6	2
Experimental Projects	16	6
Good Engineering Practice	19	13
Off-Target Waivers	21	8
Produced Water Disposal	9	17
Production Commingling	44	33
Underground Gas Storage	0	1
Waterflood Pressure Maintenance Projects	11	13

legislation and special projects

The Legislation and Special Projects Branch supports the development of the long-term oil and gas regulatory framework essential for the Commission to respond to social, environmental, economic and technical developments, and government initiatives. To deliver this mandate, the branch leads the review and development of legislation, standards and processes; advises staff and executive on matters related to or arising from legislation, standards and government policies; and coordinates, develops and manages Memoranda of Understanding with other government agencies.

The OGC has made significant strides toward realizing the provincial government's directions to reduce red tape. Some of the key initiatives of the Legislation and Special Projects Branch during 2002-2003 include:

SINGLE-WINDOW

In 2002, the branch was actively involved with the amendments to the *Oil and Gas Commission Act*, enacted through Bill 36. This included enhancements to the one-window authority of the Commission by enabling powers in regulations under other Acts to be transferred to the Commission.

EFFICIENCY AND EFFECTIVENESS

Established, through Bill 36, legal provisions for a new General Development Plan that enables a review of the surface impacts of several related activities of a company in a local area.

Several changes were also made to the *Petroleum and Natural Gas Act* through Bill 36, in 2002, and Bill 10, in 2003. The changes included provisions to facilitate and accommodate new industry developments, such as coalbed methane, and to create a separate water source well category.

Overall, the regulatory burden for the oil and gas industry and the OGC has been progressively reduced, from an initial count of 7,338 to 6,091. This includes the elimination of seven fees related to pipeline and facilities and consolidation of checklists.

The Commission aims to further reduce the regulatory requirements to 4,892, to meet the government's regulatory burden reduction target of 33% by June 2004.

Aerial view of CBM development in Comox valley, BC.
Photo by Boomer Jerrit, courtesy of Priority Ventures Ltd.

stakeholder relations

The Stakeholder Relations and Communications Branch coordinates external initiatives to encourage the participation of clients, First Nations and stakeholders in processes affecting them; collaboratively facilitates issue resolution; develops and coordinates educational programs and tools; and ensures information is communicated effectively and efficiently.

During the past fiscal year this branch has contributed to the OGC's goal of advancing service plan delivery by:

SINGLE-WINDOW

Continued to develop synergistic working relationships with industry, stakeholders and First Nations to share resources, create information sharing efficiencies and develop opportunities to inform and educate.

Collaboratively developed communication tools, including:

- Commissioner's Update publications
- Landowner information brochures on seismic and wellsite activities
- Community bulletins relating to specific concerns and program issues
- Maximum Distance Review Criteria brochure
- Prosperity through Unity conference bulletins, and
- Website

Facilitated and participated in workshops, meetings and tradeshows.

PERFORMANCE-BASED

Finalized the Public Involvement Guideline, held training workshops and assisted the OGC and stakeholders in avoiding or resolving conflicts.

Contributed to the development of the Science and Community Environmental Knowledge Fund and the Conflicting Tenures initiative.

EFFICIENCY AND EFFECTIVENESS

Communicated regulatory and legislative practices, ensuring stakeholders and First Nations were kept informed of regulatory and process changes affecting them.

Researched and coordinated information between other government agencies and ministries to provide one-window information resources.

COLLABORATION WITH FIRST NATIONS

Worked collaboratively with First Nations to encourage and facilitate their participation in the Prosperity through Unity: 2002 Oil and Gas Conference.

Coordinated relationship-building opportunities between First Nations, government and industry.

Above: Chief Liza Wolf of Prophet River First Nations, a key speaker at the Prosperity through Unity Oil and Gas Conference, makes a presentation to delegates.

Right: Prosperity through Unity Conference interactive workshop participants.

innovative regulatory leadership

The new General Development Plan (GDP) pilot project, launched by the OGC, enhances cumulative impact management and improves the efficiency of oil and gas application reviews.

A General Development Plan allows simultaneous examination of surface effects from a company's planned oil and gas activities, pipelines and roads in a local area.

Each GDP application requires public involvement and a review of environmental and other land-related concerns. A GDP authorization is an approval in principle and establishes terms and conditions to guide and control each component activity such as land access, drilling, pipelining and facilities. Benefits of GDPs are expected to include:

- Enhanced cumulative impact management of proposed activities
- Identification of potential areas of concern
- Improved ability to provide input on operating practices or special considerations
- Simultaneous application reviews
- Certainty and consistency regarding land related conditions and operating practices for the project, and
- Stronger working relationships among proponents, First Nations, stakeholders and the OGC

Three pilot projects were undertaken in order to learn from experience and to refine a process for GDP application reviews:

1. EnCana Oil & Gas Co. Ltd. at the Maxhamish Lake gas field
2. Nexen Canada Ltd. at the Hay River oil field
3. Pioneer Natural Resources Canada Inc. at the Chinchaga River gas field

The Commission, with the assistance of the involved companies and interested First Nation communities in northeastern British Columbia, is in the process of developing an approach to move forward with GDPs based on last year's experiences with the pilot projects.

Above: Mindy Jackle of the Aboriginal Relations and Land Use branch cultivates youth development through the Aboriginal Economics of Staying in School workshop

Left: Paul Perkins, Sr. Aboriginal Program Specialist, (left), Wayne Rothlisberger, Career and Training Coordinator with Doig River First Nations and Devin Schek, Oil and Gas Program Manager of GDP and CBM (right) review the General Development Plan.

ogc's nine-step application review process

1

Application, including consultation records, is submitted to the OGC

OGC reviews application for impacts affecting:
- Stakeholders
- First Nations
- Environmental issues
- Technical information
- Archaeological interests

3

Enhanced consultation may be required (i.e. in cases where sour wells are near residences) and includes:
- Public safety and emergency response planning
- Records of community input
- Assess commitments by applicant
- Provide comments from application review team

Decision on a well authorization includes:
- Construction
- Drilling
- Site disturbance/removal of timber
- Operational impact, such as traffic and odour

5

Well installation, pipelines and facilities and compliance control

Preparing for production:
- Applicant must apply for production activities, including flaring

7

Production commences:
- Applicant must apply to test, produce, and/or flare

Community consultation and notification on completion and production applications

9

Community liaison and issues management

industry activity highlights

APRIL 1, 2002 - MARCH 31, 2003*

Wells spudded	831
Wells commencing initial production	389
Wells producing (as at March 31, 2003)	5,009
Pipelines issued permit to open	478
Km of pipeline constructed	1,100

APRIL 1, 2001- MARCH 31, 2002*

Wells spudded	670
Wells commencing initial production	386
Wells producing (as at March 31, 2002)	4,592
Pipelines issued permits to open	404
Km of pipelines constructed	1,200

*The OGC does not assume liability for any errors and omissions

Photo courtesy of Ministry of Agriculture

orphan well program

The Commission, in consultation with the Canadian Association of Petroleum Producers and the Small Explorers and Producers Association of Canada, has been developing an orphan wells program for British Columbia. This program includes a funding model that will effectively transfer the burden of abandonment costs for orphan wells from government to the oil and gas industry.

The Drilling and Production Regulation requires that every well and facility be properly abandoned and the site restored when the well or facility is no longer needed. An "orphan" is a well, facility or pipeline that does not have a traceable owner or the company ceases to exist. Currently, the responsibility and costs for abandonment and restoration of orphan wells, facilities and pipelines defaults to the British Columbia government. There are four orphan wells in British Columbia, out of a total of 14,100 wells drilled.

The Commission is in the process of enhancing its liability management system to ensure that wells, facilities, pipelines and related sites are abandoned and reclaimed once they are no longer needed and to minimize the occurrence of orphan sites in the future.

our duty

The OGC has a duty to resolve oil and gas development issues and disputes between affected parties, such as industry, stakeholders or First Nations.

The goal of dispute resolution is to explore and understand each others' interests and to develop acceptable solutions together.

The Commission works collaboratively with industry, First Nations and stakeholders to resolve a broad range of issues.

daily actions on dispute resolution at the ogc

concern / issue	the ogc's dispute resolution actions
ABSENCE OF INFORMATION	INFORMATION SHARING: • Information brochures, fact sheets, Commissioner's Updates, information letters. • Sharing information at trade shows, workshops, community meetings. • Providing information in response to information requests.
STAKEHOLDER CONCERNS	ISSUE RESOLUTION: • Applications and Approvals, Aboriginal Relations and Land Use and Stakeholder Relations and Communications branches assist in resolving issues during the application review process. • Compliance and Enforcement branch works with industry and stakeholders in resolving operational issues arising after an application has been approved.
FIRST NATIONS CONCERNS	PROTECTION AND MITIGATION: • Facilitated meetings between First Nations and industry. • OGC confers with Chief and Council, Land Use staff, Elders and Monitors. • Imposes terms and conditions on approvals and provides final permits. • Compliance monitoring and enforcement.
COMMUNITY CONCERNS	COMMUNITY ENGAGEMENT: • The OGC documents concerns and shares information with communities. • Broad-based community involvement including Buick Creek, Mile 625, Hudson's Hope, Fort St. John, Fort Nelson, Chetwynd, Dawson Creek and Comox. • Enhanced compliance and enforcement. • Actions tailored to meet specifics of activity and concerns (workshops, presentations, bulletins, etc.).
PROPONENT / SURFACE DISPUTE	FACILITATION: • Facilitation occurs at all levels of the OGC on issues dealing with land, health, safety, wildlife, water, rehabilitation and industry performance.
LANDOWNERS / PROPONENT DISPUTES	MEDIATION AND ARBITRATION BOARD: • The OGC provides information relevant to applications made to the board and shares information with landowners. • The OGC will be creating a farmers' advocate position.
CONFLICTING TENURES	INTER-AGENCY TASK GROUP: • The Commission is working with the Peace Managers to define a framework of best practices and procedures for consultation and conflict resolution between tenure holders. • Pre-tenure planning for oil and gas operations. • Sustainable Resource Management plans.
OIL AND GAS PRODUCTION DISPUTES	RESERVOIR ENGINEERING STUDIES AND DECISIONS: • Limits on daily production. • Off target production penalties. • Pool evaluation and conservation.
UNRESOLVED DISPUTE OF OGC APPROVED ACTIVITIES	REQUEST FOR RECONSIDERATION: • Disputant may apply to the Advisory Committee for reconsideration of the OGC activities decision. • If the Advisory Committee grants the application, it makes a recommendation to the OGC. • If the OGC grants the recommendation, it authorizes a facilitated resolution of the dispute. • The OGC reconsiders its original decision.

Pioneer Natural Resource's Cumulative Effects project received funding for wildlife research through the Science and Community Environmental Knowledge Fund. Photo courtesy of Ernst Environmental

science and community environmental knowledge fund

The Environment Fund was established in 1998 as part of an agreement with CAPP and SEPAC. The Environment Fund was established to collect and disperse $5 million over five years, to support research for practical ways of addressing environmental concerns relating to the oil and gas industry. In 2002 the Environment Fund was refocused and extended into the Science and Community Environmental Knowledge Fund.

Based upon the advice of many, the Fund now supports scientific research and environmental education. Through the continued support by CAPP and SEPAC, the Fund integrates science and community environmental knowledge in the regulation, mitigation and cumulative impact of oil and gas activities.

The Fund is comprised of four knowledge envelopes encompassing the science and community issues relevant to BC's oil and gas industry. These envelopes are:

- Health and safety
- Ecosystem and cumulative impact management
- Engineering and technology
- Education and extension

The OGC's mandate, under the *Oil and Gas Commission Act*, is to undertake programs of education and communication to advance safe and efficient practices. As of March 2003, $2.1 million has been invested into 17 environmental research projects relating to the effects of oil and gas exploration and development.

Prophet River Moose Study, funded through Science and Community Environmental Knowledge Fund, examines impacts of oil and gas on moose health. This viewpoint is from 185 Road, north of Fort St. John.
Photo courtesy of Claudia Houwers, Wildland Resources

project	recipient	funding
Improved methods of air quality modelling	University of Northern British Columbia	$33,400
Applicability of modelled site-specific meteorological data to well test flaring assessments in BC	Levelton Engineering	$49,293
Impacts of sour gas flaring on vegetation in northeastern BC	Larkspur Biological	$74,415
Determination of sour gas and H_2S threshold levels on the mammalian brain	University of Calgary	$269,061
Applicability of the Maxxam all-season passive sampling system to the management of H_2S in northeast BC	Maxxam Analytics	$27,645
Cumulative effects case studies	Ministry of Sustainable Resource Management	$104,474
Western Canada animal health study	Western Inter-Provincial Scientific Studies Association	$600,000
Overview inventory of fish and habitat	Ministry of Water, Land and Air Protection	$106,875
Soil productivity and forest regeneration success on reclaimed oil and gas sites	Ministry of Forests	$58,000
Foothills model forest grizzly bear research project	Foothills Model Forest	$50,000
Northeastern BC boreal caribou study	Slocan Forest Products	$50,000
Analysis of moose cysts	Prophet River First Nation	$80,800
Acid gas absorption by coal	University of British Columbia	$239,200
Develop a practical framework for cumulative effects assessment and management for northeast BC	Ministry of Sustainable Resource Management	$234,734
Assessment of atmospheric sulphur deposition to, and proportion of sulphur in, surrounding ecosystems due to sour gas emissions	University of Calgary	$47,800
Helicopter drilling: study the costs, benefits and feasibility of helicopter supported well drilling operations in environmentally sensitive areas	Ministry of Sustainable Resource Management	$40,000
Prophet River traditional plant study	Ravenscall Enterprises	$75,000
	TOTAL FUNDING	$2,140,697

prosperity through unity: oil and gas conference, october 2-5, 2002

The City of Fort St. John hosted Prosperity through Unity, the 2002 Oil and Gas Conference, accommodating more than 275 delegates. The annual event provided rich perspectives on the industry, offering a comprehensive business fair, workshops, and keynote addresses by company executives, Ministers and Treaty 8 First Nations Chiefs and Elders.

Many challenges relating to the oil and gas industry were addressed. The conference encouraged delegates to discuss employment, education, enterprise, community, environment and communications. Participants endeavoured to resolve community and industry concerns, advancing prosperity through unity.

Government, industry and Treaty 8 First Nations made a number of commitments. The commitments resulting from the workshops reflect four distinct subject areas: Land and Resource, Employment, Education and Business Development.

Principal committments within the four subject areas are:

- To create a land and resource centre responsible for compiling and linking all lands-information databases
- To establish a central contact location for employment programs available to the public
- To identify barriers to education and facilitate educational paths, bridges and partnerships for prospective students, including a system for tracking and awarding credits for training and education, and
- To increase business development opportunities for local companies by improving communication amongst industry and community

Such commitments will define and serve the needs of all.

Above: At the opening ceremony of the 2002 Oil and Gas Conference, three mayors of northern BC communities commit to alternately hosting the annual Oil and Gas Conference. Pictured here (from left to right) are Harry Clarke, Mayor of Fort Nelson, Steve Thorlakson, Mayor of Fort St. John, and Wayne Dahlen, Mayor of Dawson Creek.

Right: Pictured here (from left to right) are drummers from the Oil and Gas Conference, Chief Garry Oker, Elder Tommy Attachie, Jack Askoty and Clarence Apsassin.

May 2002

- Doig Days, Doig River First Nation's annual cultural celebration.
- Treaty 8 Chiefs met with Premier Gordon Campbell, Minister Richard Neufeld, and Peace River South MLA Blair Lekstrom to discuss topics including oil and gas revenue sharing, and the province's commitment to continue to work collaboratively with the First Nation communities on long-term energy policy issues.
- Petroleum Employment Training (PET) Program launched. This program provided local employment training opportunities in the oil and gas industry for First Nation community members.

June 2002

- Ground breaking for Saulteau First Nations and Doig River First Nation's new community cultural centres.

July 2002

- Fort Nelson First Nation lands department staff attended at the Oil and Gas Commission for orientation training.
- 16th Annual West Moberly Days cultural event held at Moberly Lake, BC.

August 2002

- Fort Nelson First Nation hosted the Annual Summer Gathering at the Old Fort Nelson site for the second year. This year's theme was *Building for our Youth*. The event provided an opportunity for networking, information sharing and fellowship among First Nations, industry and government.
- Aboriginal Relations and Land Use Branch hired a First Nation GIS Coordinator to provide support to First Nation communities.

September 2002

- Prophet River First Nation performed two studies titled *Prophet River Traditional Plant Study* and *Preliminary Analysis of Moose Cysts in the Prophet River First Nation Traditional Use Area* with funding made available through the Science and Community Environmental Knowledge Fund.
- New consultation paradigm developed to include conditions to permits, feedback from First Nations, follow up with Compliance and Enforcement branch and validated input.
- OGC hosted five trainees from the Petroleum Employment Training program.

October 2002

- Treaty 8 First Nations Chiefs and Councils, together with lands staff, attended and participated in the Oil and Gas Conference, Prosperity through Unity.
- Fort Nelson First Nation, Prophet River First Nation, Doig River First Nation and Dene Tha First Nation along with Encana, Pioneer and Nexen, participated in pilot projects for General Development Plan (October – December).
- First Land Technical Committee meeting held with First Nation community land staff and OGC Aboriginal Relations and Land Use staff.
- Prophet River First Nation, in conjunction with Prophet River Management, set up a 200 person base camp at the Prophet River community. Prophet River Management also operated up to 15 remote camps in the surrounding fields for construction, seismic and drilling projects during the winter season.
- Consulted with individual Treaty 8 communities to determine current GIS infrastructure capabilities and conducted preliminary discussions regarding future needs.

Blueberry River First Nations
Chief Malcolm Apsassin
Councillors:
Joe Apsassin
Lana Wolf
Wayne Yahey

Doig River First Nation
Chief Garry Oker
Councillors:
Michael Acko
Trevor Makadahay

Fort Nelson First Nation
Chief Liz Logan
Councillors:
Bernie Gairdner
Darryl Michel
Kathie Dickie
Roberta Capot-Blanc

Halfway River First Nation
Chief Joyce Morin
Councillors:
John Achla-Wokeley
Russell Lilly

McLeod Lake Indian Band
Chief Harley Chingee
Councillors:
Elizabeth Solonas
Eureka Carty
Josie Tylee
Lucy Martin
Tania Solonas
Vern Solonas

Prophet River First Nation
Chief Liza Wolf
Councillors:
Loretta McAllister
Lorraine Chipesia

Saulteau First Nations
Chief Councillor Allan Apsassin
Councillors:
Henriette Landry
Lisa Taylor
Stewart Cameron
Tammy Watson

West Moberly First Nations
Chief Roland Willson
Councillors:
Bill Burgess
Clarence Willson
Diane Abel
Kori Dokkie

Dene Tha' Band
Chief Stephen Didzena
Councillors:
Alexis Mercredi
Archie Seniantha
Cary Chonkolay
Gordon Pastion
Harvey Denechoan
Stanley Salopreen
Sydney Chambaud
Sylvester Seniantha

Ktunaxa Kinbasket Tribal Council
Tribal Chief
Sophie Pierre

Consists of the following First Nation Communities
Columbia Lake
Lower Kootenay
Shuswap
St. Mary's
Tobacco Plains

Kaska Dena Council
Chair Dave Porter

Consists of the following First Nation Communities
Daylu Dena Council
Dease River Band
Liard First Nation
Ross River Dena Council
Kwadacha First Nations

November 2002
- Prophet River First Nation land staff attended at the Oil and Gas Commission for orientation training.
- OGC facilitated a 2-day workshop with Saulteau and West Moberly First Nations to scope-out concerns and interests around oil and gas development in their Area of Critical Community Interest (ACCI).

December 2002
- Funding received from OGC and Petro-Canada to support the installation of dial-up internet access on the Halfway River First Nation reserve.
- Kaska Dena Council lands staff attended at the Oil and Gas Commission for orientation training.

January 2003
- McLeod Lake Indian Band signed a consultation Agreement with the government of BC and the OGC.
- OGC effectively facilitates Agreement between Halfway River First Nation and Petro-Canada.
- Established data sharing agreements among First Nation communities, provincial government and federal government.

February 2003
- McLeod Lake Indian Band opened a land referral office in Chetwynd, BC, with two band members to review oil and gas applications.
- McLeod Lake Indian Band lands department staff attended the OGC for orientation training.

March 2003
- A Fort Nelson First Nation trapper raised issues of H_2S odours surrounding his trapline cabin. Active operators within the area met and formulated a plan to monitor air quality within the affected area, with a view to identifying and eliminating odour problems.
- Working in conjunction with the Treaty Negotiations Office, the OGC secured funding through the Market Opportunity Analysis project to assist Treaty 8 communities in establishing GIS capability.
- The OGC and the Ktunaxa Kinbasket Tribal Council (KKTC) participated in an exchange orientation in Fort St. John and Cranbrook. The KKTC spent four days in northeast BC, in both the office and the field, and OGC staff enjoyed a cultural workshop and a field trip in the Elk Valley.
- Coordinated meetings between Petroleum Tenures Branch with the Ministry of Energy and Mines and First Nation communities to improve mutual understanding of subsurface oil and gas tenuring processes and related community interests and concerns.

The OGC inspects oil and gas exploration, development and production in BC. Seen here is the laying of pipe during pipeline construction. Photo by Cena Herrick

management discussion and analysis

RESULTS OF OPERATIONS

Net Revenue for fiscal year 2002-2003 was $3,067,000.

Management budgeted and initially projected a net revenue of $99,000. Three reasons have been identified for this favourable variance. First, the elimination of certain fees took place considerably later than anticipated. Management expected the fees to be eliminated April 1, 2002. In fact, those fees were not eliminated until September 1, 2002. Second, significant salary savings were realized as a result of hiring lags. Third, building occupancy costs were lower than anticipated because of delays in construction of tenant improvements to the Fort St. John office.

Corporate Services staff was able to identify these emerging variances early, incorporate the information into financial forecasts, and advise the Commissioner.

The surplus as at March 31, 2003, stands at $6,840,000.

Based upon input from industry, the Commission is proposing to reduce its surplus over time to a steady state position. Medium- and long-term financial planning will be conducted in 2003-2004 to articulate this plan. The planning will take into account our current financial position, industry activity, levy rates, cost drivers and pressures, and other relevant factors.

Net Revenue for 2001-2002 was $1,154,000.

A detailed variance analysis is available at the Commission web site.

BUSINESS AND ENVIRONMENTAL DRIVERS

Key business drivers for the OGC are industry activity levels and changes in petroleum industry legislation and regulation.

Senior Management Team assesses activity levels and develops business plans to respond to those changes.

The Commission has a Legislation and Special Projects Branch which develops and maintains a legislative framework to enable the Commission to adapt and respond to new social, environmental, and economic developments. The Corporate Services Branch works with this branch to assess financial implications of such developments.

COST DRIVERS

Variable costs include:

- Employee salaries and benefits
- Payments to First Nations
- Miscellaneous operational expenses

Fixed and semi-fixed costs include:

- Facility lease payments
- Contractual obligations

Variable costs make up the greater proportion of Commission expenses. This cost structure allows the Commission to respond relatively quickly to changes in the operating environment.

Unit costs are not deemed to be an effective or meaningful measure at this time.

Resources are linked to Commission objectives through the budget planning and building exercises each year.

Corporate Services staff prepare financial forecasts and analyses for Senior Management at June 30 and September 30 in each fiscal year, and monthly thereafter, to:

- Assess expenditure amounts and trends
- Identify variances
- Advise senior management
- Make appropriate recommendations to the Commissioner

REVENUE:

The Commission is self-funded. Commission revenues have two components. The first is the levy, which is based on oil and gas production. It is very steady and changes slowly as overall production changes. It is somewhat linked to commodity prices. The second component are fees. They are based on exploration activity and are volatile, changing quickly based on commodity prices.

The Commission has adopted a conservative view with regards to oil and gas activities for the next three years. Assumptions include gas volumes increasing by 3% per year, and well applications remaining static at 1000 per year. The Commission will adjust it's levy rate if revenues change dramatically during the period.

MAJOR RISKS AND OPPORTUNITIES

The Commission has completed an environmental scan by reviewing the operating environment. Management believes the following issues may impact operations:

- Gas volumes
- Commodity prices
- Activity levels in the province
- Activity levels in other provinces
- Changes in Energy Policy
- Coalbed methane development
- Increased depth of wells in the northeast and increased levels of H_2S of those wells
- Impact of use of alternative energy sources
- Ability to recruit and retain qualified and motivated employees
- Weather

The key driver and external economic factor is petroleum prices. As commodity prices increase, so does the activity level of the industry and the Commission

The Commission management will continue to assess current and potential risks and to prepare necessary contingencies. In particular, Corporate Services Branch will formulate an Enterprise Risk Management Plan that:

- Identifies and explains risks facing the Commission
- Categorizes the risks between short and long-term
- Describes the Commission's tolerance to risk
- Identifies strategies for managing risk

PERFORMANCE

The Commission has refined the presentation of performance measures, goals and results. The Commission met or exceeded all stated goals of performance measures that were used.

Last year, only one performance measure was indicated: Average number of days to complete an application (2001 - 2002: 21).

The Commission has a very unique role, and there are limited sources to identify benchmark indicators. Research has been conducted, and the closest parallel is the Alberta Energy and Utilities Board. They list a number of performance measures, but none exactly match those of the Commission. The Commission will continue to conduct research on other regulatory agencies to identify possible benchmarks.

CAPITAL PLANNING

There are no major capital plans at this time.

In 2003 - 2004, the Commission will begin an annual capital budgeting process. The focus of this planning will be assets over $1000.00.

MANAGEMENT PERSPECTIVE OF THE FUTURE

The Commission has prepared a three year Service Plan ending March 31, 2006. It is available at www.ogc.gov.bc.ca.

The Commission's budget for 2003-2004 and planned budgets for 2004-2005 and 2005-2006 are identified below:

The Service Plan clearly identifies financial and performance targets while maintaining or improving current high standards for the environment and First Nations' consultations. It provides for:

- An integrated and innovative regulatory and resource management regime
- Increased consistency of

(Amounts in $000s)	FY04	FY05	FY06
REVENUES			
Fees	$8,806	$8,806	$8,806
Levies	7,642	8,618	10,246
Miscellaneous	102	100	100
TOTAL REVENUE	$16,550	$17,524	$19,152
EXPENSES			
First Nations	$6,580	$6,580	$6,580
Salary	8,314	8,480	8,650
Building	903	912	921
Equipment & Communications	649	655	662
Vehicle & Travel	755	763	770
Contracts	880	889	898
Office Supply & Equip	444	449	453
Grants	1	1	1
Amortization	302	305	308
TOTAL EXPENSES	$18,828	$19,034	$19,243
Add: Contribution from Govt.	$91	$91	$91
Net Revenue	($2,187)	($1,419)	-
Full Time Equivalents	125.0	125.0	125.0
Gas Levy Rate	0.23	0.25	0.28
Oil Levy Rate	0.46	0.50	0.56

decision-making and problem solving
Reduced risk and uncertainty

NON FINANCIAL RESOURCES:

1. Human Resources
The Commission had approximately 99 Full Time Equivalents for the fiscal year 2002-2003, and has taken several steps to become an employer of choice. The Commission actively supports the training and professional development of its employees. Approximately $135,000 was expended in 2002-2003. The Commission reimburses professional fees for positions required to have certain designations. Approximately $10,000 was reimbursed in 2002-2003. The OGC EmPower Team was created in January 2003. This initiative was launched to identify and implement projects related to creating an innovative and superior human resource environment. Fifteen projects have been formally identified to date. Finally, the Commission has created two human resource management positions to supplement Public Service Agency services and to maintain superior levels of employee satisfaction and Commission effectiveness. The Commission faces a number of unique challenges because of its location and operating environment. Recruitment and retention of staff is a key challenge. It is the assessment of senior management that the accomplishments to date and planned activities will contribute to the Commission becoming an employer of choice.

2. Other Resources
The Commission has leased office space in Fort St. John, Fort Nelson, Kamloops and Victoria.

The Commission has leased vehicles and information systems equipment.

CAPACITY
Each branch of the Commission monitors and assesses capacity requirements.

Corporate capacity issues and material branch capacity issues are identified, and appropriate response strategies developed, within the senior management team.

The recruitment and retention of exemplary human resources has proven the key capacity driver. The creation of the EmPower Team and the internal human resource management positions should help to address this challenge.

The enhancement of information systems to meet the needs of operating branches has proven the second capacity driver. A new and more effective information systems management model was approved by the Commissioner at the end of 2002-2003.

The Commission expects to achieve it's stated goals for 2003 - 2004 under its current capacity limits and planned enhancement strategies.

Senior management is undertaking an assessment of capacity requirements under certain industry growth projections.

DATA INTEGRITY
Management's confidence in the integrity of financial data is high. The Commission uses two common and effective financial software packages: ACCPAC and CaseWare. Essentially, ACCPAC is used to enter financial transactions and CaseWare is used to present financial information. Finance staff are knowledgeable and staffing levels stable. Management reviews financial reports and transactions to assess data integrity.

Management's confidence in the integrity of operating data is relatively high. The Commission has an Information Systems department, which manages the development and maintenance of operating systems. Controls are in place to ensure the integrity of operating data. For example, audits can be conducted on IRIS tables. However, there are challenges for the Commission. These challenges include pipeline data integrity and the development of operating performance indicators. Management is assessing these issues and formulating appropriate strategies.

performance report

performance measure	service plan goal	actual or estimated result	management comments
PERCENT OF OIL AND GAS INDUSTRY REGULATORY FUNCTIONS INSIDE THE COMMISSION'S JURISDICTION	85%	85%	GOAL ACHIEVED • Legislation passed to enable defining regulations such as waste management and water regulations as specified enactments. • This is an important performance measure as it brings certainty and simplicity to industry, efficiency and effectiveness to Commission operations, and alignment with Government's single-window business approach. • Efforts will continue to enhance the single-window approach, such as collaborating with other ministries to streamline regulatory responsibilities. • This performance measure is subjective. Rather than identifying all the regulations that impact the oil and gas industry, the focus is on those that directly and significantly impact upstream activities.
PERCENT OF APPLICATIONS THAT ARE RESULTS-BASED	25%	25%	GOAL ACHIEVED • Sample actions by the Commission include General Development Plan projects, Environmental Upgrade Notices, field changes and stream crossing extensions. • This is an important performance measure as it demonstrates movement from a prescriptive regulatory burden to a results-based, best-practices model. • This performance measure is relatively subjective and is based on management's assessment of accomplishments to date and identified future activities.
REGULATORY BURDEN	6,300	6,091	GOAL EXCEEDED • This is an important performance measure as updated regulations benefit both industry and the Commission, and it demonstrates alignment with government's deregulation initiative. • The Commission will continue efforts to reduce the regulatory burden. Aggressive targets have been identified in the recently released 2003-2006 Service Plan. • This performance measure is objective. The Commission maintains a running count of regulatory burdens.

performance report (cont.)

performance measure	service plan goal	actual or estimated result	management comments
AVERAGE WORKING DAYS TO COMPLETE AN APPLICATION	18	17.8	GOAL EXCEEDED • This performance measure is important because industry needs certainty for its operational planning. It is also an indicator of OGC efficiency and the collaborative efforts of all. • The Commission will continue to make improvements in business processes that will benefit all. • The confidence level of this performance measure is high. The data is maintained in the Commission's database system and audits are conducted on the appropriate tables.
PERCENT COMPLIANCE	84%	Exploration: 86% Operation: 97%	GOAL EXCEEDED • During the year, the performance measure was refined to differentiate exploration (roads and stream crossings) vs. operation (pipelines, facilities, and drill rigs). • Compliance is an important measure because it affects public safety, protection of the environment, and conservation of resources. • Strategies were implemented during the year to improve industry compliance, particularly water usage and sewage management, as a result of a multi-agency audit that was conducted. • Efforts will continue to improve industry compliance. • This performance measure is relatively objective. Results are based on audits and inspections by Compliance and Enforcement staff.
SATISFACTION RATE	75%	N/A	ON HOLD • This performance measure is under review. • The Commission had intended to conduct surveys to establish a baseline satisfaction level. Because of staffing changes and other factors, no surveys were conducted. • The Commission will assess this measure and determine an appropriate course of action.

To review performance goals for 2003-2004, please visit
http://www.ogc.gov.bc.ca/documents/newsreleases/

oil and gas commission

Financial Statements
March 31, 2003

Statement of Management Responsibility

The financial statements of the Oil and Gas Commission for the year ended March 31, 2003 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of the Commission as at March 31, 2003, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Oil and Gas Commission. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of the Oil and Gas Commission.

Derek Doyle
Commissioner

Craig Wilkinson
Director, Corporate Services

May 9, 2003

Report of the Auditor General of British Columbia

To the Commissioner
of the Oil and Gas Commission, and

To the Minister of Energy and Mines,
Province of British Columbia:

I have audited the statement of financial position of the Oil and Gas Commission as at March 31, 2003 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Oil and Gas Commission as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 9, 2003

Wayne Strelioff, CA
Auditor General

Oil and Gas Commission
Statement of Financial Position

March 31, 2003, with comparative figures for 2002 *(in $000s)*

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash	9,359	5,146
Accounts receivable	2,834	3,270
Due from Province of British Columbia *(Note 4)*	1,516	2,115
Prepaid expenses	36	71
	13,745	10,602
CAPITAL ASSETS *(Note 3)*	1,699	1,082
	15,444	11,684
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	584	522
Due to First Nations *(Note 8)*	3,284	3,431
Due to the Province of British Columbia *(Note 4)*	1,966	75
	5,834	4,028
LONG-TERM LIABILITIES		
Due to First Nations *(Note 8)*	-	1,859
SCIENCE AND COMMUNITY ENVIRONMENTAL KNOWLEDGE FUND *(Note 5)*	2,247	1,432
SURPLUS		
Surplus	6,840	3,773
Contributed surplus *(Note 6)*	523	592
	7,363	4,365
	15,444	11,684
Committments *(Note 7)*		

On behalf of the Commission

Derek Doyle
Commissioner

The accompanying notes are an integral part of these statements

Oil and Gas Commission
Statement of Operations and Surplus

Year ended March 31, 2003, with comparative figures for 2002 *(in $000s)*

	2003	2002
REVENUES		
Fees	**11,073**	10,004
Levies	**6,756**	6,581
Miscellaneous	**102**	178
	17,931	16,763
EXPENSES		
Payments to First Nations *(Note 8)*	**5,347**	7,971
Salaries and benefits	**6,272**	5,090
Building occupancy	**528**	514
Telecommunications and information systems	**800**	578
Travel and vehicle costs	**578**	519
Professional services and training	**601**	474
Amortization	**299**	258
Office supplies and equipment	**507**	311
Grants	**1**	18
Miscellaneous and bad debts	**-**	18
	14,933	15,751
REVENUE FROM OPERATIONS	**2,998**	1,012
Amortization of Contributed Surplus *(Note 6)*	**69**	142
NET REVENUE FROM OPERATIONS	**3,067**	1,154
SURPLUS BEGINNING OF YEAR	**3,773**	2,619
SURPLUS END OF YEAR	**6,840**	3,773

The accompanying notes are an integral part of these statements

Oil and Gas Commission
Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002 *(in $000s)*

	2003	2002
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH GENERATED FROM:		
Fees	**12,376**	10,102
Levies	**8,055**	6,238
Miscellaneous	**148**	294
	20,579	16,634
CASH USED FOR:		
Payments to First Nations	**7,353**	8,308
Salaries	**4,412**	5,024
Operating costs	**3,685**	3,361
	15,450	16,693
	5,129	(59)
CASH USED IN INVESTMENT ACTIVITIES		
Purchase of capital assets	**(916)**	(407)
INCREASE (DECREASE) IN CASH DURING THE YEAR	**4,213**	(466)
CASH BEGINNING OF YEAR	**5,146**	5,612
CASH END OF YEAR	**9,359**	5,146

The accompanying notes are an integral part of these statements

Oil and Gas Commission
Notes to the Financial Statements March 31, 2003

Tabular Amounts in $000s

1. THE OIL AND GAS COMMISSION

The Oil and Gas Commission (the "Commission") was established under the *Oil and Gas Commission Act* on July 30, 1998, to administer industry activity on oil and gas lands and to resolve industry land use and economic issues related to Aboriginal Lands on behalf of the Province of British Columbia.

The Commission is funded through revenue from the consolidated revenue fund of the Province of British Columbia derived from:

- levies from oil and gas production,
- fees in relation to applications for and issuance of approvals, licenses, permits and other authorizations issued by the Commission under the *Petroleum and Natural Gas Act* and the *Pipeline Act*, and
- annual fees prescribed under the *Petroleum and Natural Gas Act* and the *Pipeline Act*.

The Commission is exempt from federal and provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

CAPITAL ASSETS

Capital assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

• Furniture, equipment and tenant improvements	10 per cent
• Computer hardware	33 per cent
• Computer software	100 per cent

Amortization is one-half of the annual rate in the year of acquisition.

Amortization associated with assets paid for by the Province of British Columbia is transferred from contributed surplus to revenue each year. See *Note 6*.

REVENUE RECOGNITION

All fee and levy revenue authorized and collected under Section 23 of the *Oil and Gas Commission Act* is first paid to the Minister of Finance. The Province then transfers this amount of revenue to the Commission.

Revenue is recognized when it is earned. The Oil and Gas Levy is assessed in the second month following production; therefore, revenue for February and March is estimated based on average prior months' assessments. Fees under the *Pipeline Act* are recognized when earned, that is, when "leave to open" has been granted.

Oil and Gas Commission
Notes to the Financial Statements March 31, 2003

Tabular Amounts in $000s

Fees and levies collected that have been directed to pay for research under the Science and Community Environmental Knowledge Fund are recognized when the research costs have been incurred. Prior to costs being incurred the amounts are included as deferred contributions, in the Environmental Fund.

EMPLOYEE BENEFIT PLAN

The Commission and its employees contribute to the Public Service Pension Plan (the plan), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer contributory defined benefit pension plan. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The latest actuarial valuation March 31, 2002 indicated a $546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers.

The Corporation also annually contributes through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The costs of these employee future benefits are recognized as an expense in the year that contributions are paid.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture, equipment, & tenant improvements	2,108	(545)	1,563	961
Computer Hardware	229	(129)	100	79
Computer Software	445	(409)	36	42
	2,782	(1,083)	1,699	1,082

Oil and Gas Commission
Notes to the Financial Statements March 31, 2003

Tabular Amounts in $000s

4. DUE TO / FROM THE PROVINCE OF BRITISH COLUMBIA

	2003	2002
DUE FROM:		
Accrued leave liability	120	120
Fee and levies	1,070	1,995
Other	326	-
	1,516	2,115
DUE TO:		
Operating expenses	1,966	75
	1,966	75

5. SCIENCE AND COMMUNITY ENVIRONMENTAL KNOWLEDGE FUND (SCEK)
(formerly Environmental Fund)

The Commission signed a letter of intent October 3, 2002 with the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC) to renew the SCEK Fund. The official announcement is expected May 2003 and will see the Commission spend $5 million over 5 years on research on the effects of the oil and gas industry in BC. Funding for this research is generated through a portion of the levy on oil and gas production and a portion of the application fee for wells being allocated to the SCEK Fund. This money is restricted for use for research and administration of the Fund.

At March 31, 2003 the Commission had committed to $435 (2002: $765).

	2003	2002
OPENING BALANCE AS OF APRIL 1	1,432	1,408
ADD: Fees and levies collected	1,387	1,163
Interest earned	50	43
	2,869	2,614
DEDUCT: Research project costs	597	1,173
Commission administration	25	9
	622	1,182
ENDING BALANCE AS OF MARCH 31	2,247	1,432

Oil and Gas Commission
Notes to the Financial Statements March 31, 2003
Tabular Amounts in $000s

6. CONTRIBUTED SURPLUS AND FORGIVENESS OF START-UP COSTS

During its first year of operation (1998/1999) the Commission borrowed funds from the Province to finance its purchase of start-up capital and pay for other start-up costs like professional contracts. The total of all of these amounts was $1,620.

During the 2000/01 fiscal year the Province forgave this amount and the amount equal to the capital assets. They were recognized as a contributed surplus.

Contributed surplus is reduced each year and an amount transferred to revenue equal to the yearly amortization of the capital assets.

	2003	2002
CONTRIBUTED SURPLUS beginning of year	592	734
Amortization of capital assets	(69)	(142)
CONTRIBUTED SURPLUS end of year	523	592

7. COMMITMENTS

The Commission occupies leased office buildings in Fort St. John and Victoria for which the Commission pays building occupancy fees to the British Columbia Buildings Corporation. The lease for the Fort St. John office space runs until March 31, 2008 with no early release option.

The office space in Victoria is managed through the Ministry of Competition, Science and Enterprise with no fixed end date, and requires six months notice to vacate.

The Commission leases space in Kamloops from British Columbia Buildings Corporation for a period of 5 years starting April 1, 2002.

The Commission also leases office space from the Town of Fort Nelson. This agreement expires August 2004.

The Commission has entered into a number of short-term leases. These leases are for vehicles, computers, office equipment and support services.

The Commission, through the Science and Community Environmental Knowledge Fund, has entered into several funding agreements in support of research on the effects of the oil and gas industry on BC (*Note 5*). As of March 31 2003, there were commitments totaling $435 for fiscal year 2004 only.

Oil and Gas Commission
Notes to the Financial Statements March 31, 2003

Tabular Amounts in $000s

The Commissions total annual commitments are:

YEAR	
2004	1,582
2005	910
2006	897
2007	709
2008	703

8. DUE TO THE FIRST NATIONS

During 2001/2002, three First Nations ("FNs") signed Memoranda of Understanding ("MOUs"). The three were Blueberry River, West Moberly, and Prophet River First Nations. Four other FNs signed Agreements with the Commission. The four were: Fort Nelson, Doig River, Saulteau, and Halfway River First Nations. During this year, the Blueberry River First Nation has replaced their MOU with an Agreement. The MOUs and Agreements are effective from October 1, 2001 to March 31, 2006.

Under the terms of the MOU's and Agreements, the seven First Nations will receive fixed quarterly payments until December 31, 2002.

McLeod Lake First Nation signed an agreement December 2002 with an effective term of October 1, 2002 to March 31, 2007.

During the life of the MOU's and Agreements each First Nation will receive payments based on current well activities. These amounts are expensed and paid either monthly or quarterly.

	2003	2002
Payments due March 31	1,425	952
Current portion of long-term liability	1,859	2,479
TOTAL CURRENT LIABILITY	3,284	3,431
Long-term liability	-	1,859
	3,284	5,290

Oil and Gas Commission
Notes to the Financial Statements March 31, 2003

Tabular Amounts in $000s

9. RELATED PARTY TRANSACTIONS

The Commission is related to all Province of British Columbia ministries, agencies and Crown corporations.

The Commission leases office from the British Columbia Buildings Corporation. The Ministry of Competition Science and Enterprise provided payroll and human resource services and certain capital assets during the year at no cost to the Commission. The Ministry of Attorney General acted as the Commission's primary legal advisor during the year on a cost recovery basis.

10. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the presentation used in the current year.

OIL AND GAS COMMISSION

200 - 10003 110 Avenue, Fort St. John, BC V1J 6M7
Tel: [250] 261. 5700
Fax: [250] 261. 5744
www.ogc.gov.bc.ca

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200 - 10003 110 Avenue, Fort St. John, BC V1J 6M7
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